

Aide-mémoire



**MINISTRY OF SOCIAL
DEVELOPMENT**
TE MANATŪ WHAKAHIATO ORA

Cabinet paper

Date: 6 March 2020 **Security Level:** Cabinet Sensitive

For: Hon Carmel Sepuloni, Minister for Social Development

File Reference: REP/20/3/200

Removing initial income stand-downs

Cabinet 9 March 2020

Minister Hon Carmel Sepuloni, Minister for Social Development

Proposal This Cabinet paper provides further advice (including advice on the financial and operational implications), and draft regulations on three options for removing the stand-down period in response to the economic impacts of COVID-19.

The paper seeks agreement to one of the following options:

- Option 1 - remove the stand-down period on a general basis for 8 months
- Option 2a – provide narrow discretion to MSD for 8 months to waive the stand-down where a person is applying for benefit **directly** because of COVID-19
- Option 2b – provide broader discretion to MSD for 8 months to waive the stand-down where a person is applying for benefit **directly and/or indirectly** because of COVID-19.

Talking points

- There is currently a high degree of uncertainty on the economic impacts of COVID-19, and it is appropriate to consider the policy settings in the benefit system in order to ensure it continues to support those in need.
- Following last week's meeting of the Ad Hoc Cabinet Committee on COVID-19 Response, I was invited to provide further advice on the options for removal of the stand-down for accessing income support.
- I consider that there are three options for removing stand-downs:
 - remove the stand-down period on a general basis for 8 months, or

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- provide narrow discretion to MSD for 8 months to waive the stand-down where a person is applying for benefit directly because of COVID-19, or
 - provide broader discretion to MSD for 8 months to to waive the stand-down where a person is applying for benefit directly and/or indirectly because of COVID-19.
- I recommend that Option 1 be agreed to. It will ensure that all the intended people are covered and is relatively simple to operationalise, meaning that it could commence in two weeks' time on 23 March 2020. It would also be easy for clients and MSD staff to understand.
 - It would take approximately four weeks to implement Options 2a and 2b. Extra time will be required to develop guidance for staff, provide training, revise the client application process and to determine the most appropriate way for MSD to verify that someone is applying for a benefit due to COVID-19.

Key issues

- Option 1 would be relatively simple to operationalise, and could take effect in two weeks' time (i.e. 23 March 2020).
- Options 2a and 2b are more complicated to operationalise and would take about four weeks to implement. This complexity is due to the difficulties in verifying that someone is apply for benefit due to COVID-19.
- Further complexity would be added if MSD front-line staff also had to determine whether a person had lost their job directly or indirectly as a result of COVID-19.
- Should either Option 2a or 2b be agreed by Cabinet, further work would be required on the most appropriate way to verify if a stand-down should be waived.
- These options rely heavily on the application of discretion by MSD frontline staff. This is likely to increase the likelihood of clients applying for a Review of Decision which could put additional pressure on frontline staff resources.

Financial implications**Option 1**

The paper seeks funding for a total of \$18.336m for Option 1

- net \$6.678m for Benefits or Related Expenses in 2019/20 from the between budget contingency established as part of Budget 2019; and
- net \$11.658m for Benefits or Related Expenses in 2020/21 from the between budget contingency established as part of Budget 2019.

Agreement is also sought that the Benefit or Related Expenses costs owing to recipients affected by COVID-19 will be updated in line with benefit forecasts at BEFU, with the full cost of the policy reflected as a policy change (rather than a forecasting adjustment), with the additional cost charged as a pre-commitment against Budget 2021.

Options 2a and 2b

Although the paper does not seek any specific funding amounts for Options 2a or 2b, these options are expected to have Benefit or Related Expenses costs once implemented. The cost of this is expected to be in line with the COVID-19 specific costs for Option 1 – i.e. the number of people who will come onto benefit as a result of job loss arising from COVID-19, and the associated costs of these policy changes, are expected to be consistent across all options.

The paper seeks agreement that Benefit or Related Expenses costs for Options 2a or 2b, owing to recipients affected by COVID-19, will be updated in line with benefit forecasts at BEFU, with the full cost of the policy reflected as a policy change (rather than a forecasting adjustment), with the additional cost charged as a pre-commitment against Budget 2021.

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Background


This Cabinet paper is in response to the Ad Hoc Cabinet Committee on COVID-19 Response (CVD) on 4 March 2020. CVD invited you to submit a revised paper to Cabinet on 9 March 2020, including further advice (including advice on the financial and operational implications), and draft regulations on the following options for removing the stand-down period in response to the economic impacts of COVID-19:

- removing the stand-down period on a general basis for a defined period
- removing the initial income stand-downs for a defined group of people, a particular sector, and/or a particular region.

People applying for a main benefit¹ can have an initial income stand-down² for one or two weeks before their benefit commences depending on their previous income and family circumstances. The stand-down starts on the date they become entitled to a benefit, unless an exemption applies. There is no main benefit payable during a stand-down period.

The initial income stand-down is different to the 13-week non-entitlement period, which can occur in certain circumstances such as the person has become voluntarily unemployed without a good and sufficient reason, or is applying for a benefit because they have been dismissed for misconduct. This paper does not seek to remove the 13-week non-entitlement period.

§ 9(2)(f)(iv)



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¹ Section 313 of the Social Security Act 2018 provides that work tested benefits, Youth Payment and Young Parent Payment, Sole Parent Support, Jobseeker on grounds of sickness, injury, or disability, or a Supported Living Payment are subject to a stand-down. The commencement date for Emergency Benefit and Emergency Maintenance Allowance is at the Chief Executive's discretion and is consistent with the main benefit that most closely fits their circumstances. Stand-downs cannot be imposed for Orphan's Benefit and Unsupported Child's Benefit.

² There are existing exemptions from stand-downs, including when a person has entered a refuge following a relationship breakdown.